



Chapter 8

Capital Allotment Submittal and Review

8.1 General Information Regarding Capital Allotments



What's the purpose of capital budget allotments

The allotment budget process for the capital budget accomplishes the same fundamental purpose as allotments for the operating budget. A detailed schedule of expenditures is presented by the agency receiving the appropriation to ensure that planned expenditures are within the appropriated level and consistent in purpose with the appropriation language. Capital project allotments can occur at any point during the biennium, and can be changed to reflect updated information.

Allotment process helps provide a clear picture of capital project activity

Allotments for capital projects are also used for project monitoring, identification, and the tracking of work elements. Capital projects, particularly large ones, are generally allotted by project phase as a means of tracking progress. Entering the design phase of a project can be treated as a separate decision point from entering the construction phase; the allotment of each of these phases as separate transactions provides a clear picture of capital project activity.

Capital allotments serve as a critical control point in the life of a capital project. RCW 43.88.110(6) and the Capital Budget Appropriations Act provide that no expenditure may be incurred or obligation entered into until the allotment of funds has been approved. This final control point was established to require individual project review prior to entering into a contract, often months after the appropriation has been enacted by the Legislature and signed by the Governor. The Office of Financial Management (OFM) has established the processes defined in the following pages to reflect the concerns and requirements of the various laws relating to capital projects.

Addendum Alert

Following legislative action on the 2001-03 budget, an addendum to these instruction will be issued. At this time, we have identified two issues: accessibility planning, and improvements and predesign.

Who do I contact with questions?

Questions, comments and suggestions to improve these processes are welcomed and solicited. Please contact:

Tom Boyer, PE
Office of Financial Management
300 Insurance Bldg/POB 43113
WA 98504-3113
Phone: (360) 902-0544
Email: tom.boyer@ofm.wa.gov
Fax: (360) 902-0680

Marziah Kiehn-Sanford, AICP
Office of Financial Management
300 Insurance Bldg/POB 43113 Olympia,
Olympia, WA 98504-3113
Phone: (360) 902-0531
Email: marziah.kiehn-sanford@ofm.wa.gov
Fax: (360) 902-0680

8.2 Guidelines for Submitting Capital Allotments

What are the components of capital allotments?



Capital projects include the acquisition of real property; the predesign, design, and construction of new facilities; additions, repairs, renovations, and improvements to existing facilities; and the acquisition of building equipment. Capital projects improve or add to the real property or facility inventory of the state.

Generally, an agency's capital allotments include:

- The initial capital allotments are issued at the same time as the initial operating allotments for the biennial capital appropriation based on cash disbursement estimates; and
- Subsequent allotments that may occur at any time during the biennium for:
 - Unanticipated receipts
 - Transfers
 - Major project phases
 - Major projects originally placed in unallotted or reserve status in the initial allotment
 - Cash disbursement revisions
 - Revised reappropriation amounts as determined by OFM
- Recognize the difference between allotment and cash flow. The allotment represents the value of work in place. Cash flow represents the flow of payments. These rules-of-thumb are helpful in preparing project allotments.
 - Predesign can be straight-lined from the estimated start date to the completion date.

Differentiate between allotment and cash flow

- Emergency/non-specific appropriations can be spread equally across the biennium.
- Major projects should approximate the project schedule provided in the Capital Budget Request.
- 75 percent of the design appropriation is expended between the start of design and the construction bid date.
- Construction can be approximated as 25 percent spent over the first one-third of the construction period; 50 percent spent during the second one-third of the period and 25 percent spent during the last one-third of the period.
- Projects subject to the capital appropriation proviso regarding individual project reporting for major projects can be more easily reported when specific phases are allotted during the biennium. When available, actual project schedules can be used to better approximate allotment/cash flows plans.
- The historical spending pattern is the best method of estimating grant program cash disbursement unless there are new conditions that change the distribution process.

8.2.1 Capital Allotment Schedule

**When are capital
allotments
submitted?**

Agencies should submit initial capital allotments with their operating allotments on the schedule shown in Appendix E. Any exceptions to this timeline should be discussed with the OFM Capital Section. The initial capital allotments include all projects except major projects. In those instances where a specific project's schedule is not yet determined, the appropriation will be placed in unallotted status. Chapter 9 details the allotment procedures for major capital projects. Chapter 10 details the allotment procedures for minor works and omnibus capital projects.

**New allotment
requirements**

Agencies and institutions will submit project information through the CBS/BASS budgeting system to ensure their project's scope of work, schedule and other pertinent project information corresponds with the legislative appropriation. This information must be entered into BASS and released to OFM no later than October 1, 2001. Projects over \$5 million will have revised C-100/100A cost estimates completed and returned electronically in the approved format also by October 1, 2001. Templates of the electronic C-100/100A will be distributed to agencies and institutions in July 2001.

Agencies and institutions will update their capital-funded FTEs through CBS/BASS to reflect actual staffing levels anticipated during the 2001-03 Biennium.

8.2.2 Major Construction Projects

Allotments for expenditures requiring OFM's approval

RCW 43.88 provides that no expenditure or obligation for major capital construction projects (those valued over \$5 million) may be incurred until the allotment of the funds to be expended has been approved by OFM. This provision applies, without exception, to land acquisition, site development, predesign, design, construction, equipment acquisition, and installation. It does not apply to expenditures and obligations that carry over into the succeeding biennium for projects for which allotments have been approved in the preceding biennium. See Chapter 9.

8.2.3 Management and Administrative Costs

Agency project management and administrative costs, including FTEs, charged to capital appropriations must be allotted with the initial capital allotment. See Chapter 10.

8.2.4 Cash Disbursements

Allotments for capital projects must include cash disbursement information by appropriation and fund, as opposed to just a total. See Chapter 11.

8.2.5 Unanticipated Receipts

Unanticipated receipts apply to appropriated funds only.

The unanticipated receipt process applies to appropriated funds only. As is the case with operating funds, agencies shall not expend funds until the unanticipated receipt has been reviewed and approved by OFM. See Chapter 2 for assignment of unanticipated capital appropriation codes.

8.2.6 Public Works Requisitions

Submitting a public works requisition

Agencies who work with Engineering and Architectural Services (E&AS) must submit a Public Works Requisition (PWR) to the Department of General Administration prior to or at the same time as the allotment request is submitted to OFM. For additional information on work provided by E&AS or assistance with the preparation of Public Works Requisitions, please contact:

**Who to contact at
GA for
assistance?** Division of Engineering and Architectural Services
Department of General Administration
P.O. Box 41012
Olympia, WA 98504-1012
(360) 902-7272

8.2.7 Artwork Allowance

**Which capital
projects require
artwork
(RCW 43.17)** RCW 43.17.200 outlines the procedure for the required purchase of artwork in capital projects. The statute applies solely to appropriations for original construction of state-owned buildings and — in the case of higher education institutions — renovation costing more than \$200,000 in state-owned buildings.

Agencies receiving multiple capital appropriations may consult with the Washington State Arts Commission regarding the most effective use of the artwork allowance. The required percentages for art may be pooled to fund larger works of art or mobile art displays.

Agencies preparing allotments for capital projects should coordinate the allotment of the required arts expenditures with the Washington State Arts Commission by contacting:

Washington State Arts Commission
P.O. Box 42675
Olympia, WA 98504-2675
(360) 753-3860

8.2.8 Local Share or Matching Funds

**Matching funds are
proportional to
state funds (RCW
43.88)** Projects which carry a proviso stipulating a required local share from nonstate sources are subject to the provisions of RCW 43.88.150. This statute requires the expenditure of any matching funds to be proportional to state funds. For example, if an appropriation for \$100,000 requires an additional local share of \$200,000, then for each state dollar spent, two dollars in nonstate funds must be spent at the same time. This proviso precludes an agency from spending the state appropriation prior to spending other funds.

8.2.9 Transfer of Appropriation Between Capital Projects

Unexpended funds can be transferred to other projects

The capital budget bill allows for the transfer of unexpended funds from one project to another within certain situations as described in the capital appropriation legislation. The agency must request a transfer of the funds by OFM. If approved, OFM will transfer the funds from the completed project to another project and will issue a subsequent allotment for the transferred funds. Transfers in excess of \$250,000 require notification of the legislative fiscal committees and will not take effect for 30 days.

8.2.10 Video Telecommunications Equipment Expenditure Plans

Is a video telecommunications equipment expenditure plan required?

No agency may spend any portion of any capital appropriation for video telecommunications equipment, systems, or transmission without first submitting a video telecommunications equipment expenditure plan to the Department of Information Services in compliance with chapter 43.105 RCW. For additional information, please contact:

Information Technology Oversight
Department of Information Services
P.O. Box 42445
Olympia, WA 98504-2445
(360) 902-2975

8.2.11 Performance Measures

Performance of capital project proposals are monitored by OFM

OFM's *Capital Plan Instructions* and *Operating Budget Instructions, Part 2*, require agencies to link their capital budget with their strategic plan and operating budget performance measures. OFM budget staff will monitor performance measures reported in the operating budget against the performance of the agency's capital project proposals.